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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 3, 2000

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

MUTUAL BENEFITS CORPORATION,
SAMIR GHOSH,
DAVID HARDY,
NORMA HARDY,
FRED WOODBURY,
GLENN BOLLINGER,
JOHN STANLEY, and
JIM EPPS,

CASE NO. SEC000005
CASE NO. SEC000006
CASE NO. SEC000007
CASE NO. SEC000008
CASE NO. SEC000009
CASE NO. SEC000010
CASE NO. SEC000011
CASE NO. SEC000012

Defendants

AMENDED RULE TO SHOW CAUSE

COMES NOW THE Commission's Division of Securities and
Retail Franchising ("Division") and alleges as follows:

1. Beginning in February, 1995, Mutual Benefits
Corporation ("MBC"), a viatical settlement arranger located in
Ft. Lauderdale, Florida, offered and sold viatical settlement
contracts ("viatical settlements") to residents of Virginia.

2. Viatical settlements are investment contracts and
therefore securities as defined in Virginia Securities Act
("Act"), § 13.1-501 et seq. of the Code of Virginia. See:
Exhibit A attached hereto and incorporated herein by reference.

3. MBC, by and through Samir Ghosh ("Ghosh"), David Hardy
("DHardy"), Norma Hardy ("NHardy"), Fred Woodbury ("Woodbury"),

Glenn Bollinger ("Bollinger"), John Stanley ("Stanley"), and Jim Epps ("Epps") offered and sold viatical settlements to eighty-seven (87) residents of Virginia. Attached hereto and incorporated herein is Exhibit B, a list of the known Virginia investors. The Division did not make any attempt to determine the financial status of each investor as that matter is irrelevant to the issues subject to this Rule to Show Cause.

4. MBC's agents, Ghosh, DHardy, NHardy, Woodbury, Bollinger, Stanley, and Epps were not registered to offer or sell securities under the agent registration provisions of § 13.1-504 A of the Act.

5. MBC transacted business by and through its agents in this state, without registration as a broker-dealer or issuer in violation of § 13.1-504 A of the Act.

6. MBC employed unregistered agents Ghosh, DHardy, NHardy, Woodbury, Bollinger, Stanley, and Epps, to sell viatical settlements in this state in violation of § 13.1-504 B of the Act.

7. MBC and the individual defendants offered and sold unregistered securities in this state in violation of § 13.1-507 of the Act.

8. MBC, by and through its agents, Ghosh, DHardy, NHardy, Woodbury, Bollinger, Stanley and Epps, provided prospective purchasers with disclosure materials that were used to obtain money by means of untrue statements of material fact and

omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of § 13.1-502 of the Act. Virginia investors received the same documents from the defendants found in Exhibit A.

9. The statements that were made by MBC agents listed above and through materials provided to such agents by MBC, to obtain money by means of untrue statements and omissions to state material facts necessary in order to make statements made, in light of the circumstances, not misleading are as follows:

a. Viatical settlements are "guaranteed" without disclosure of the factors that would affect the investment return or disclosure about the accompanying risks of the purchase, both of which are material to an investment decision.

b. Most investors were told that they would get a fixed rate of return based upon the term of the contract, without disclosure of the risk that the projected return would not be paid until the death of the viator. The agents led investors to believe that at the end of the contract term they would receive the contracted dollar amount. Additional information was provided to investors separate from Exhibit A that further supports this belief. See Exhibit C, attached hereto and incorporated herein by reference. This is a misrepresentation and/or omission that would materially affect an investment decision.

c. A few investors (less than 5) were informed that they would have to wait for the death of the viator, but that the possibility of losing money was very remote and there has never been a case where the investor lost money. Such representation was misleading because MBC and its agents knew or should have known that the investment could result in loss of yield due to payment of insurance premiums by investors and a possibility that principal could be so reduced during the viator's lifetime that they may lose any benefit of the investment. This is a misrepresentation that would materially affect the investment decision.

d. No investor was told the effective rate of return on the investment. This is an omission that would materially affect the investment decision.

e. Investors were told that MBC would pay all required premiums, if it should become necessary to pay premiums for the insurance policy or policies underlying the viatical settlement. The investors were not informed that they might have to assume payment of the premiums should MBC be unable or unwilling to pay. This is an omission that would materially affect the investment decision.

f. Investors believed that they were passive and that MBC would handle everything involved with the purchase, management and control of the investment. They were not informed that they had any options concerning servicing of the viatical settlements

and relied upon MBC to handle all details. The Purchase Agreement did allow for other options, but investors were not aware of the option, it was never discussed, nor do the investors recall reading the contract prior to signing it. Investors and agents state that once the investor decided to purchase a viatical settlement he or she was to complete a purchase agreement and trust agreement. Investors were to forward their funds to MBC's Special Trust Account or the escrow agent, the law firm of Brinkley, McNerney, Morgan, Solomon & Tatum. However, funds placed in Special Trust Account were placed in a commercial checking account until MBC located a viator. Funds placed in the escrow account were placed in an interest bearing account with other investor funds. The documents and agreements provided to investors as shown in Exhibit A already had MBC and the trustee designated in each of the documents. No completely blank documents were provided to investors. No disclosure was made about this investment which would allow investors to make an informed decision. Since no investor had any knowledge or experience with viatical settlements, these are omissions and misstatements that would materially affect the investment decision.

g. MBC and its agents did not provide any background or information to investors about MBC, its track record, its financial status, or any of the backgrounds of its principals, omissions that would materially affect an investment decision.

IT APPEARING that the Division's allegations describe activities that constitute acts made unlawful by the Act, it is therefore,

ORDERED that MBC, Ghosh, DHardy, NHardy, Woodbury, Bollinger, Stanley, and Epps, appear before the State Corporation Commission, in its Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia at 10:30 a.m. on May 23, 2000, and show cause, if any they can, why they jointly or severally should not be penalized pursuant to § 13.1-521 of the Act, be permanently enjoined pursuant to § 13.1-519 of the Act, and be assessed the cost of investigation pursuant to § 13.1-518 of the Act, on account of the aforesaid alleged violations.

IT IS FURTHER ORDERED that each defendant file on or before April 3, 2000, an original and fifteen (15) copies of a responsive pleading in which each defendant expressly admits or denies the allegations contained in the Rule to Show Cause. If a defendant denies any of the allegations, that defendant shall set forth in such responsive pleading a full and clear statement of all the facts which that defendant is prepared to prove by competent evidence that refute the allegations so denied. Each defendant shall expressly indicate in such responsive pleading whether or not it/they desire and intend to appear and be heard before the Commission on the scheduled hearing date. The responsive pleading shall be delivered to the Clerk, State

Corporation Commission, Document Control Center, P.O. Box 1197, Richmond, Virginia 23218, and shall contain a caption setting forth the style of this case and its case number.

IT IS FURTHER ORDERED that a defendant shall be in default in the event of failure to timely file either a responsive pleading as set forth above or other appropriate pleading, or in the event of failure to make an appearance at the hearing. Upon such default a defendant waives all objections to the admissibility of evidence and may have entered against each a judgment by default imposing some or all of the aforesaid sanctions.